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C O N F I D E N T I A L SECTION 01 OF 05 LONDON 05288

C O R R E C T E D C O P Y (DUE NUMEROUS MIS-SPELLINGS)

E.O. 11652: GDS
TAGS: PFOR, UK, US
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SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT -
PART I

REF: (A) STATE 38338; (B) STATE 38356; (C) STATE 41169

PART I - POLICY ASSESSMENTS

A. U.S. INTERESTS

1. TO ASSIST THE UNITED KINGDOM TO THE EXTENT WE CAN TO MAINTAIN ITS STRONG, STABLE DEMOCRATIC POLITICAL INSTITUTIONS AND TO STABILIZE AND, WE HOPE, IMPROVE ITS ECONOMIC PERFORMANCE AND CAPABILITIES.

2. TO ENLIST BRITAIN'S SUPPORT AND HELP, BOTH BILATERALLY AND THROUGH MULTILATERAL INSTITUTIONS (INCLUDING NATO, THE EC, OECD AND THE UN AND ITS AGENCIES) IN IDENTIFYING AND PURSUING COMMON OBJECTIVES IN AREAS OF COMMON CONCERN: A STABLE, LESS DANGEROUS AND COSTLY EAST-WEST RELATIONSHIP; PROGRESS IN SENSIBLE REORDERING OF NORTH-SOUTH RELATIONSHIPS; RESOLUTION OF POTENTIAL OR ACTUAL LOCAL CONFLICTS IN AREAS WHERE BRITISH INFLUENCE RUNS; THE BUILDING OF INTERNATIONAL INSTITUTIONS FOR PEACEFUL CHANGE; THE PROMOTION OF AN EXPANDING, STABLE WORLD ECONOMY.

3. TO PROMOTE AND PROTECT OUR DIRECT ECONOMIC INTERESTS IN THE U.K., WHICH IS ONE OF OUR MAJOR PARTNERS IN TRADE. SERVICES, AND INVESTMENT, AND IS THE SECOND LARGEST SITE OF AMERICAN INVESTMENT.

B. OVERVIEW.

GENERAL

BRITAIN IS ONE OF THAT GROUP OF ADVANCED INDUSTRIAL DEMOCRACIES UPON WHICH THE U.S. WILL BY CHOICE AND CIRCUMSTANCE CONTINUE TO RELY IN THE ACCOMPLISHMENT

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OF THE ORINCIOAL OBJECTIVES OF ITS DIOLOMACY. OVER THE YEARS, AS IT HAS RELINQUISHED ITS EMPIRE, REDIRECTED ITS ATTENTION TO EUROPE, AND SOUGHT TO DEVELOP A DOMESTIC CONSENSUS ABOUT HOW TO DEAL WITH A LONG-TERM INDUSTRIAL RUN-DOWN, IT HAS DIMINISHED IN IMPORTANCE RELATIVE TO THE MORE POWERFUL PARTNERS OF THE U.S.: JAPAN AND THE FRG. NEVERTHELESS, IT REMAINS OUR CLOSEST INTERNATIONAL COLLABORATOR. DIMINISHED POWER HAS NOT UNDONE THE PULL OF A COMMON CULTURE, LANGUAGE, AND POLITICAL PERSPECTIVE, OR THE HABITS OF INTIMACY IN NUCLEAR AND INTELLIGENCE FIELDS WHICH HAVE RESISTED EXTENSION TO OUR MORE POWERFUL ALLIES. THERE IS NO OTHER NATION WITH WHOM WE CAN MAKE SO MANY ASSUMPTIONS SO CONFIDENTLY ABOUT SHARED VALUES. INTERESTS AND OUTLOOK -- WITH WHOM OUR DISCOURSE CAN BE SO RELAXED, CANDID, WIDE-RANGING.

ECONOMIC

BRITAIN'S ECONOMIC DIFFICULTIES ARE PRINCIPALLY THE

CONSEQUENCE OF THE DESTRUCTIVE OVERHANG OF A DISINTEGRA-
TING BUT STILL REAL CASTE SYSTEM WHICH HAS BEEN PERPETU-
ATED BY A VARIETY OF FACTORS FROM ACCENT TO EDUCA-
TION. THIS HAS LED TO A JADED, UNINNOVATIVE. TRADITION-
ORIENTED MANAGEMENT, AND A WORK FORCE DOMINATED BY THE
ATTITUDES OF A GUERRILLA MOVEMENT. THESE STAND AS MAJOR
OBSTACLES TO THE INDUSTRIAL REGENERATION WHICH IS THE
CRYING NEED OF THIS TRADING NATION. THEY HAVE LED TO
POLICIES AND PRACTICES -- LACK OF COMMUNICATION IN
BUSINESS ENTERPRISES AND BETWEEN CLASSES. A TAX SYSTEM
INGENUOUSLY CONSTRUCTED FOR DISINCENTIVE, A DOCTRINAL
COMMITMENT ON THE PART OF A LARGE MINORITY TO NATION-
ALIZATION AS A CURE-ALL, AN ANTI-TECHNOLOGY BIAS IN

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EDUCATION -- WHICH MILITATE AGAINST MODERNIZATION.
THESE ARE PROBLEMS ABOUT WHICH WE CAN DO LITTLE EXCEPT
WATCH AND WAIT FOR TIME'S ENZVMES TO WORK, IF THEY WILL.
AS FOR THE NEAR TERM -- THE NEXT YEAR OR SO -- THE
ECONOMY IS LIKELY TO CONTINUE ON A RATHER FLAT RECOVERY
CURVE, WITH SOME BUT NOT VERY MUCH IMPROVEMENT IN IN-
VESTMENT AND PRODUCTION, AND PROBABLY A GRADUAL DECLINE
IN UNEMPLOYMENT AND THE RATE OF INFLATION.
WITH MAJOR FOREIGN RESOURCES ASSURED THROUGH A \$3.9
BILLION IMF ARRANGEMENT, A \$3 BILLION SAFETY NET THROUGH
THE BIS, AND SUBSTANTIAL EUROCURRENCY BORROWINGS. THERE
IS LITTLE MORE THAT THE U.S. OR THE INTERNATIONAL COM-
MUNITY CAN OR SHOULD DO TO PROVIDE FINANCIAL RESOURCES
WITH TOUGHER GOVERNMENT POLICIES ON THE FISCAL DEFICIT
AND DOMESTIC CREDIT. A DEGREE OF CONFIDENCE HAS BEEN
RESTORED, STERLING HAS BECOME RELATIVELY STABLE AND
RESERVES HAVE BEEN BUILT UP. A THIRD PHASE OF WAGE
RESTRAINT WILL PROBABLY EMERGE THIS SUMMER. BUT IT IS
LIKELY TO BE LOOSE.
ON THE OTHER HAND. LITTLE EFFECTIVE HAS BEEN SO FAR
ACCOMPLISHED REGARDING BRITAIN'S INDUSTRIAL REGENERATION.
THERE HAS BEEN LITTLE RESPONSE TO GOVERNMENT ENCOURAGE-
MENT OF INVESTMENT AND PRODUCTIVITY. WHILE IT IS GEN-
ERALLY RECOGNIZED THAT IMPROVED INVESTMENT AND PRODUC-
TIVITY ARE ESSENTIAL, THERE IS NOT YET A SOLID CONSENSUS
AMONG THE COMPETING APPROACHES TO ACCOMOLISHING THESE
ENDS (E.G. IMPORT CONTROLS, INCREASED SOCIALIZATION OF
INVESTMENT, EXTENDED GOVERNMENT OWNERSHIP ON THE ONE
HAND, LOWERED TAXES. INCREASED INCENTIVES, AND GREATER
RELIANCE ON MARKET FORCES ON THE OTHER). THE DEBATE
WILL CONTINUE. THE IMF PRESCRIPTIONS ON DOMESTIC
CREDIT EXPANSION AND THE PUBLIC SECTOR BORROWING RE-
QUIREMENT, HOWEVER, WILL PROBABLY HOLD DESPITE LEFT-WING
DISSATISFACTION WITH THEM.
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A MAJOR BRIGHT SPOT FOR THE FUTURE IS INCREASED PRODUCTION OF NORTH SEA OIL, WHICH SHOULD RETURN CURRENT ACCOUNT BENEFITS OF \$2 BILLION IN 1977, RISING TO OVER \$8 BILLION IN 1980. THE HEAVY INVOLVEMENT BY U.S. COMPANIES IN THE NORTH SEA ACCOUNTS FOR MUCH OF THE RECENT INCREASE IN U.S. DIRECT INVESTMENT IN THE U.K. (WHICH TOTALLED AROUND \$14 BILLION AT THE END OF 1975). BUT IN THE NEAR TERM THE PROSPECT IS CONTINUED AUSTERITY AND EVEN SOME TEMPORARY DECLINE IN THE BRITISH STANDARD OF LIVING.

SECURITY

THE U.K. WILL CONTINUE TO GIVE STRONG SUPPORT TO NATO AS THE CENTRAL FOCUS OF ITS DEFENSE STRATEGY WHILE THE BRITISH CONTRIBUTION TO NATO. QUALITATIVELY REMAINS AN EFFECTIVE ONE. DIMINISHING RESOURCES DEVOTED TO DEFENSE WILL GRADUALLY DEGRADE THE OPERATIONAL EFFECTIVENESS OF BRITAIN'S ARMED FORCES. BRITAIN PROVIDES THE FOURTH LARGEST GROUND FORCE COMMITMENT TO NATO. HOWEVER. BAOR IS FRAUGHT WITH PROBLEMS. AND COMMITMENTS IN NORTHERN IRELAND IMPINGE HEAVILY ON IT. THE RECENT RESTRUCTURING OF BAOR IS BASED PRINCIPALLY ON SAVING MONEY WITHOUT MUCH CONCERN TO OPERATIONAL EFFECTIVENESS. THE ROYAL NAVY. WHILE REQUIRING U.S. ASSISTANCE TO ASSURE SEA LANE CONTROL, IS CAPABLE OF MAKING HIGHLY EFFECTIVE DEFENSIVE CONTRIBUTIONS IN ASW, CONVOY AND MINE COUNTERMEASURES AND PROVIDES SOME 70 PERCENT OF NATO'S IMMEDIATELY AVAILABLE MARITIME FORCES FOR THE DEFENSE OF THE EASTERN ATLANTIC AND CHANNEL AREAS. THE POLARIS FORCE WILL CONTINUE AS AN IMPORTANT CONTRIBUTION TO SACEUR'S CAPABILITY, AS WILL THE RAF'S FIGHTER-BOMBER AND STRIKE/ATTACK AIRCRAFT WHICH HAVE A NUCLEAR DELIVERY CAPABILITY. THE RAF WILL CONTINUE TO PROVIDE ESSENTIAL ELEMENTS OF NATO'S TACTICAL, GROUND SUPPORT AND MARITIME RECONNAISSANCE CAPABILITY. THE U.K. ITSELF WILL CONTINUE TO BE A VITAL BASING AREA FOR U.S. AIR FORCES AND

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FOR LOGISTIC SUPPORT OF U.S. FORCES IN NATO.

THE DEFENSE BUDGET FOR 1977/78, REFLECTING A REDUCTION OF \$350 MILLION IN PLANNED EXPENDITURE, TOTALS \$11 BILLION AT CURRENT EXCHANGE RATES. A PROJECTED FURTHER \$400 MILLION REDUCTION IN 1978/79 MAY NOT BE MADE IF THE OVERALL ECONOMIC SITUATION IMPROVES. FURTHER CUTS WOULD CRITICALLY IMPAIR THE EFFECTIVENESS OF THE OVERALL BRITISH CONTRIBUTION TO THE COMMON DEFENSE. AT PRESENT, HOWEVER, THE COMMITMENT TO NATO IS NOT UNDER

CHALLENGE AND THERE IS A GROWING RESISTANCE TO ADDITIONAL CUTS.

POLITICAL
BRITISH POLITICS ARE VOLATILE, THEIR SPECTRUM

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FRAGMENTING. SCOTTISH NATIONALISM CONTINUES TO RISE
WITH SUBVERSIVE EFFECT ON THE AUTHORITY' OF THE CENTRAL
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GOVERNMENT. THE LEFT WING OF A MINORITY LABOR GOVERN-
MENT IS RESTIVE AND THE CONSERVATIVE PARTY IN OPPOSITION
IS MOVING TO THE RIGHT. THOUGH THE RECENT PACT BETWEEN
LABOR AND LIBERALS HAS STAYED OFF AN EARLY GENERAL
ELECTION, THERE IS LITTLE OPTIMISM THAT WHEN THE ELEC-
TION DOES COME IT WILL SOLVE ANYTHING FUNDAMENTAL.
UNLESS AND UNTIL THE BRITISH ECONOMY TURNS DECISIVELY
UP, A STRONG GOVERNMENT WITH A CLEAR POPULAR MANDATE
REMAINS AN UNLIKELY PROSPECT.
IF THE CONSERVATIVES DISPLACED LABOR IN OFFICE AFTER
THE NEXT ELECTION, THE IMPACT ON THE U.K.'S FOREIGN
POLICY WOULD BE ONLY MARGINAL. THERE WOULD BE A SLIGHT
SHIFT IN EMPHASIS AWAY FROM THE U.S. AND TOWARDS THE EC.
BUT NOTHING LIKE THE TILT THAT CHARACTERIZED THE HEATH
GOVERNMENT'S FOREIGN POLICY 1970-74. THERE WOULD BE A
GREATER DISPOSITION TO MAINTAIN AND EVEN INCREASE
DEFENSE FORCES. BUT ECONOMIC EXIGENCIES WOULD STILL
CONSTRAIN WHAT MIGHT ACTUALLY BE DONE. TORY ECONOMIC
POLICIES WOULD IMPROVE THE CLIMATE FOR AMERICAN BUSINESS.
BUT THIS MIGHT WELL BE OFFSET BY A DETERIORATION IN THE
GOVERNMENT'S RELATIONS WITH THE TRADE UNIONS
BRITAIN'S INVOLVEMENT IN EUROPE. WHILE STILL NOT
WHOLEHEARTED. IS GROWING. BECAUSE OF THE IMPORTANCE IT
ATTACHES TO ITS RELATIONS WITH THE U.S.. IT WILL WORK TO
MODERATE ANY US-EC TENSIONS OR DISAGREEMENTS WHICH ARISE.
IN NATO, BRITAIN WILL SUPPORT A WIDE INTERPRETATION OF
POLITICAL CONSULTATION, BALANCING THE FRENCH TENDENCY TO
A NARROW ONE. IN EAST-/WEST NEGOTIATIONS IT IS LIKELY
TO BE SUPPORTIVE OF U.S. OBJECTIVES WHILE WORKING TO
LIMIT DAMAGE TO WHAT IT SEES AS PARTICULARLY EUROPEAN
INTERESTS. SOME DIFFICULTIES COULD ARISE IN THE FIELDS
OF ARMS EXPORTS AND NONPROLIFERATION. DEPENDING UPON THE
EVOLUTION OF U.S. POLICY. BILATERAL PROBLEMS WILL BE
MINOR IN THE OVERALL PICTURE. BUT WILL ARISE, AS IN THE
CURRENT IMBROGLIO ON CIVIL AVIATION.

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CONCLUSION
BECAUSE OF ITS ECONOMIC VULNERABILITY OVER THE TERM
OF THIS ASSESSMENT AND CONSEQUENT DEPENDENCE ON U.S.
ECONOMIC POLICY, AND THE TRADITIONAL AND INSTINCTIVE

IMPORTANCE IT ATTACHES TO ITS RELATIONS WITH THE U.S..
THE U.K. WILL, WE BELIEVE. GENERALLY SUPPORT U.S. POL-
ICIES EXCEPT IN THOSE CASES WHERE BRITISH ECONOMIC AND
COMMERCIAL INTERESTS ARE IMPERILED BY WHAT WE TRY TO DO.

C. OBJECTIVES. COURSES OF ACTION. AND ISSUES

ECONOMIC

AS WE HAVE STATED, THE CENTRAL PROBLEMS OF THE BRIT-
ISH ECONOMY ARE BEYOND OUR CONTROL, AND EVEN LARGELY
BEYOND OUR INFLUENCE. BRITAIN NEEDED EXTERNAL FINANCIAL
ASSISTANCE IN 1976, BUT, HAVING RECEIVED IT. DOES NOT
NEED ADDITIONAL ASSISTANCE IN THE FORESEEABLE FUTURE.
WE, AND OTHER CONTRIBUTORS, WILL HAVE TO KEEP A WATCHFUL
EYE ON PERFORMANCE UNDER THE IMF AGREEMENT, AND MUST BE
PREPARED TO USE OUR INFLUENCE TO ENSURE THAT THOSE CON-
DITIONS ARE MET, INCLUDING THE MAINTENANCE OF A REALISTIC
EXCHANGE RATE. WE MUST ALSO CONTINUE TO EXERT OUR IN-
FLUENCE IN FAVOR OF AN OUTWARD LOOKING AND LIBERAL
ECONOMIC POLICY, AND AGAINST PROTECTIONIST MEASURES.

OUR ROLE IS A MORE DIRECT ONE IN PROTECTING OUR
ECONOMIC INTERESTS IN THE U.K. WE MUST AT THE SAME TIME
ENCOURAGE EFFECTIVE AMERICAN PARTICIPATION IN NORTH SEA
OIL DEVELOPMENT, AND SEEK TO MODERATE ANY BRITISH POLI-
CIES WHICH WOULD IMPEDE THIS PARTICIPATION. THE BULLOCK
RECOMMENDATIONS THAT WORKERS SHARE EQUALLY WITH STOCK-
HOLDER REPRESENTATIVES IN THE MANAGEMENT OF INDUSTRY
WOULD HAVE NEGATIVE EFFECTS ON AMERICAN INVESTMENT GEN-
ERALLY, AND WE SHOULD SEEK DISCREETLY TO AVERT THEIR
ADOPTION. CIVIL AVIATION IS AN AREA WHERE THE TWO SIDES
ARE ALREADY IN A STRUGGLE FOR COMMERCIAL ADVANTAGE;
WHILE PROTECTING OUR OWN INTERESTS, WE SHOULD AVOID UN-
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NECESSARY UNILATERAL ACTIONS OFFENSIVE TO THE U.K. AND,
OBVIOUSLY, WE SHOULD CONTINUE TO PROMOTE OUR EXPORTS.
FINALLY, THE U.K. IS A VALUABLE PARTNER IN INTER-
NATIONAL ECONOMIC RELATIONS. WE SHOULD SEEK TO SOLIDIFY
OUR PARTNERSHIP IN DEVELOPING COMMON POLICIES AND TAC-
TICS IN NORTH-SOUTH RELATIONS: WE SHARE BOTH THE DE-
SIRE TO AVOID A CONFRONTATIONAL RELATIONSHIP WITH THE
DEVELOPING WORLD, AND AN UNWILLINGNESS TO SACRIFICE
SOUND ECONOMICS AND CONSUMER INTERESTS. BRITAIN PLAYS
AN IMPORTANT ROLE ON THESE ISSUES IN THE EUROPEAN

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COMMUNITY -- INDEED THE U.K. CAN CONTINUE TO BE A USEFUL
AGENT GENERALLY IN DEVELOPING COMMUNITY POSITIONS COM-
PATIBLE WITH U.S. INTERESTS. HOWEVER, WE MUST BE CARE-

FUL NOT, BY OVERSTRESSING THE "SPECIAL RELATIONSHIP," TO CONFIRM THE FEARS OF OTHER EUROPEANS THAT THE U.K. IS AN AMERICAN TROJAN HORSE WITHIN THE COMMUNITY. FOR ITS PART THE U.K., WHICH SHARES THE U.S. VIEW THAT "SURPLUS" ECONOMIES LIKE GERMANY AND JAPAN SHOULD CONTRIBUTE TO WORLD RECOVERY BY ADOPTING MORE STIMULATIVE POLICIES, WILL SEEK TO HAVE THE U.S. ASSUME THE PRINCIPAL RESPONSIBILITY FOR ARGUING THIS CASE.

SECURITY

BRITAIN HAS A STRONG ECONOMIC STAKE IN EXPANDING ITS EXPORT OF NUCLEAR REPROCESSING SERVICES AND RELATED TECHNOLOGY. WHILE IT PUTS HEAVY EMPHASIS ON SUPPLIER COMMITMENTS TO FULL FUEL CYCLE SAFEGUARDS, IT HAS RESISTED U.S. PROPOSALS ON MULTINATIONAL FUEL CENTERS, INTERNATIONAL STORAGE AND REPROCESSING CONSTRAINTS. THUS, WE MUST TAKE CARE TO BRING BRITISH ALONG IF WE PURSUE ANY INITIATIVE WHICH FUNDAMENTALLY QUESTIONS REPROCESSING AS A LEGITIMATE INTERNATIONAL ACTIVITY.

WITH SALES OF MILITARY EQUIPMENT EXPECTED TO TOTAL 850 MILLION POUNDS NEXT YEAR. BRITAIN IS THE WORLD'S 3RD LARGEST ARMS MERCHANT. BRITISH COOPERATION WOULD BE VITAL TO THE SUCCESS OF ANY INITIATIVES BY THE USG TO CONTROL AND REDUCE ARMS TRANSFERS. HMG WILL TAKE A LONG, HARD LOOK AT PROPOSALS IN THIS FIELD AND GO ALONG -- IF AT ALL -- ONLY ON CONDITION THAT SUCH PROPOSALS DID NOT GIVE COMMERCIAL ADVANTAGE TO OTHER COUNTRIES AT BRITAIN'S EXPENSE. TO COMPENSATE BRITISH FOR LOSS OF MARKETS, WE SHOULD MAKE AN EFFORT TO BUY MORE ARMS FROM THEM OURSELVES, PERHAPS TO THE EXTENT OF APPLYING A "NEGATIVE BUY AMERICA" PREMIUM IN CASES WHERE FOREIGN PURCHASES WILL CONTRIBUTE TO NATO STANDARDIZATION. WE SHOULD EXERCISE GREATER INGENUITY IN EXAMINING

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POSSIBLE BRITISH CONTRIBUTIONS TO ARMS STANDARDIZATION, INCLUDING ENCOURAGING BRITISH INDUSTRY TO SPECIALIZE IN AREAS WHERE WE CAN MAKE OFF-THE-SHELF PURCHASES OR LICENSING ARRANGEMENTS.

IF ALL PERSUASION FAILS, WE SHOULD SUBSIDIZE THE BRITISH SBA'S IN CYPRUS.

WE SHOULD BE ALERT TO PRESSURES FOR FURTHER CUTS IN BRITISH DEFENSE EXPENDITURES, AND DISCREETLY ENCOURAGE THOSE ELEMENTS OF THE BRITISH AUTHORITIES THAT OPPOSE CUTS. IF AND AS THE BRITISH ECONOMY RECOVERS, WE SHOULD BE PREPARED TO PRESS HMG TO REFLECT THIS IMPROVEMENT BY DEVOTING MORE RESOURCES TO DEFENSE.

WE SHOULD CONTINUE TO COOPERATE IN INTELLIGENCE AND NUCLEAR AREAS. PARTICULARLY HELPING IN THE MAINTENANCE OF THE EFFECTIVENESS OF THEIR POLARIS FORCE. IF THE

BRITISH APPROACH US REGARDING ASSISTANCE FOR A NEXT GENERATION SSBN FORCE. WE SHOULD BE PREPARED TO CONSIDER THIS SYMPATHETICALLY.

POLITICAL

WE SHOULD MITIGATE BRITISH RELUCTANCE ON RHODESIA BY CONSTANT COMMUNICATION ON STRATEGY AND TACTICS IN ORDER THAT THEY REMAIN DEEPLY INVOLVED IN THE PROCESS OF SETTLEMENT. OUR IMMEDIATE OBJECTIVE IS TO ENCOURAGE THE BRITISH TO ORGANIZE ANOTHER NEGOTIATING PROCESS AND TO THAT END WE MUST COOPERATE WITH THEM CLOSELY AND PUBLICLY IN THEIR DEALINGS WITH ALL PARTIES CONCERNED. WE SHOULD BE MORE OBVIOUSLY INVOLVED AND IN THE FOREFRONT.

IT WOULD BE UNREALISTIC TO EXPECT THE U.K. TO TAKE THE LEAD ON ITS OWN IN DEVELOPING POLICIES TOWARDS NAMIBIA AND SOUTH AFRICA, BUT WE CAN LOOK TO THE BRITISH FOR A LEAD WITHIN THE EC, AND IT IS EC COOPERATION AS MUCH AS BRITISH COOPERATION THAT WILL BE VITAL TO US IN THESE AREAS. CENTERING ON THE BRITISH WE SHOULD LAUNCH CONSULTATIONS WITH THE EC AIMED AT DEVELOPING COMMON

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POLICIES TOWARDS SOUTH AFRICA AND IN THE UN ON SOUTH AFRICAN ISSUES, E.G. DECIDING WHAT TO DO REGARDING WHAT IS LIKELY TO BE UNREMITTING PRESSURE FOR A CHAPTER VII FINDING AGAINST SOUTH AFRICA.

IN CYPRUS. WE SHOULD ENCOURAGE THROUGH CLOSE CONSULTATION CONTINUED BRITISH INTERCESSION WITH THE ADVERSARY PARTIES IN SUPPORT OF OUR EFFORTS TO ACHIEVE A SETTLEMENT.

IN THE MIDDLE EAST, WE SHOULD ENCOURAGE THROUGH CLOSE CONSULTATION BRITISH SUPPORT IN THE UN AND IN THE EC FOR OUR EFFORTS TO ACHIEVE A SETTLEMENT. THE BRITISH CAN BE PARTICULARLY HELPFUL IN EXPLAINING AND

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DEFENDING OUR POINT OF VIEW WITHIN EC COUNCILS AND IN
STAYING OFF UNDESIRABLE EC INITIATIVES THAT MIGHT OPERATE
AT CROSS-PURPOSES TO OUR OWN.

IN THE ARABIAN PENINSULA AND THE GULF, WE SHOULD RE-
INFORCE AND SUPPORT BRITISH INFLUENCE WHEREVER IT EFFEC-
TIVELY CONTRIBUTES TO THE PRESERVATION OF LONG-RANGE
STABILITY.

ON THE CSCE FOLLOW-ON CONFERENCE, AND ESPECIALLY
WITH REGARD TO THE FIELD OF HUMAN RIGHTS, WHERE WE SHARE
WITH THE BRITISH SO MANY ASSUMPTIONS AND PERCEPTIONS,
WE SHOULD CONSULT CLOSELY, CANDIDLY, AND OFTEN TO SYN-
CHRONIZE OUR APPROACH. OUR TACTICS MAY DIFFER, BUT

EVEN THIS CAN BE AN ADVANTAGE PROVIDING WE REMAIN IN AGREEMENT ON BOARD STRATEGY.

WE SHOULD CONTINUE TO COORDINATE CLOSELY TO MAINTAIN ALLIED RIGHTS IN BERLIN. AS FOR AIR CHARTER SERVICES FOR BERLIN, WE SHOULD INSIST THAT COMMERCIAL ADVANTAGE YIELD TO POLITICAL CONSIDERATIONS IN GRANTING CHEAP TRAVEL TO THE WEST.

WE SHOULD COME OFF THE FENCE ON BELIZE. A CONTINUING IMPASSE PREOCCUPIES BRITISH ATTENTION AND RESOURCES WHICH MIGHT BETTER BE DIRECTED ELSEWHERE. WE SHOULD INFORM HMG THAT WE SUPPORT INDEPENDENCE FOR BELIZE AND BRITISH EFFORTS TO ENSURE THAT INDEPENDENCE, AND THAT WE ARE PREPARED TO SUPPORT BRITAIN IN THE UN AND ELSEWHERE.

WE SHOULD BE GENERALLY SUPPORTIVE OF BRITISH POLICY IN NORTHERN IRELAND, CONTINUING TO USE OUR INFLUENCE TO DISSUADE AMERICAN SUPPORT OF IRA-BASED VIOLENCE IN THE PROVINCE.

CONSULAR

ONE CRITICAL OBJECTIVE OF THIS MISSION OVER THE COMING TWO YEARS WILL BE TO COPE ADEQUATELY WITH STEEPLY RISING DEMANDS FOR VISAS WITHOUT HAVING TO REQUEST NEW RESOURCES. AS U.K. CITIZENSHIP POSSIBLY

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ITIES DIMINISH FOR NON-EUROPEANS IN THE U.K. THEY WILL UNDOUBTEDLY TURN TO THE U.S. TO SEEK PERMANENT RESIDENCY. EMBASSY LONDON WILL BE THE SOURCE FOR PROVIDING THESE VISAS. AS REFUSAL RATES RISE IN THIS CHANGING ENVIRONMENT, MUCH ADVERSE REACTION IN THE LOCAL COMMUNITY CAN BE EXPECTED. THESE FACTORS COUPLED WITH THE STIMULUS PROVIDED BY LOWER TRANSATLANTIC FARES WILL PLACE HEAVY PRESSURES ON OUR CONSULAR STAFFS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TEXT, ANNUAL REPORTS, CERP 0001
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Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON05288
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770193-0445, D770110-0450
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977033/aaaaaclj.tel
Line Count: 696
Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 256820b3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 38338, 77 STATE 38356, 77 STATE 41169
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3020329
Secure: OPEN
Status: NATIVE
Subject: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I
TAGS: PFOR, PARM, ECRP, UK, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/256820b3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009